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CANADA

Government
Publications

Prices and incomes commission

Commission des prix et des revenus

June 25, 1970

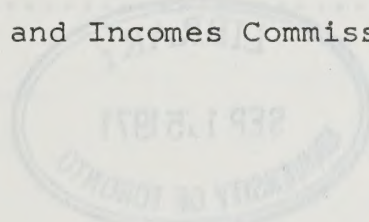
Table of Contents

Preamble.....	1
Background.....	2
The Company.....	3
Pricing.....	4
Cost Factors.....	5

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DUPLICATING MACHINES, SUPPLIES AND SERVICES

Prices and Incomes Commission



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Duplicating Machines, Supplies and Services

Table of Contents

	Page
Foreword.....	1
Background.....	4
The Company.....	4
Pricing.....	5
Cost Factors.....	5
Conclusions.....	6

FOREWORD

The Prices and Incomes Commission was established on June 19, 1969, "to inquire into and report upon the causes, processes and consequences of inflation and to inform those making current price and income decisions, the general public and the Government on how price stability may best be achieved".

Following numerous separate discussions with representatives of the Canadian business community, including the Canadian Chamber of Commerce, the Canadian Manufacturers' Association, the Retail Council of Canada and the Canadian Bankers' Association, the Commission decided to call a National Conference on Price Stability in order to obtain a consensus on a national policy to combat inflation. The conference, held in Ottawa on Feb. 9-10, was attended by senior officers of national business and farm associations, representatives of professional groups, leaders of the Canadian business community and officials of the federal and provincial governments. Those present indicated a willingness to exercise a meaningful degree of restraint in their pricing policies in 1970 and there was broad agreement that:

- (a) Business firms generally, if called upon to do so, would reduce the number and size of price increases they would normally make in 1970.
- (b) More specifically, where higher prices are needed to cover higher costs, and market conditions make them feasible, business firms generally, if called upon to do so, would ensure that price increases were clearly less than the amount needed to cover the increases in costs at a normal volume of output and sales.

The complete list of agreed criteria is contained in the Closing Statement of the National Conference on Price Stability released on Feb. 10, 1970.

At a Federal-Provincial Conference of First Ministers, held in Ottawa on Feb. 16-17, 1970, the federal government and all provincial governments endorsed the Commission's plan to call without delay upon business firms generally to follow the basic price restraint principle adopted by the National Conference on Price Stability. First Ministers urged all Canadians to co-operate actively in restraining price and income increases during 1970.

Provision was made at the National Conference on Price Stability for a price review procedure whereby the Prices and Incomes Commission would review price increases to determine whether they comply with the agreed criteria.

The Government of Canada and most provincial governments expressed the hope that government sanctions would not be required but agreed that if necessary they would use such means as are within their control to deal with cases of serious non-compliance with the pricing criteria as reported by the Commission.

DUPLICATING MACHINES, SUPPLIES AND SERVICES

Background

On March 1, 1970, Gestetner (Canada) Ltd. implemented a five-per-cent increase in its selling price for duplicating papers, stencils and inks and a two-per-cent increase on its duplicating machines. In April these increases came under active review by the Prices and Incomes Commission. The objective of this report is to examine the factors contributing to these price increases and compare them with the price guidelines established by the Prices and Incomes Commission and announced at the conclusion of the National Conference on Price Stability.

The Company

Gestetner (Canada) Ltd. is a wholly-owned subsidiary of a British firm, Gestetner Ltd. The Canadian firm is a sales organization, retailing British made duplicating machines, offset printing machines, stencils, inks, duplicating supplies and Canadian made duplicating papers.

Established in 1924, the Canadian firm has its head office in Don Mills, Ont., and distributes its

products through sales offices and warehouses located in 21 Canadian cities from coast to coast. The company employs approximately 650 persons. Sales mix has remained relatively constant over recent years.

Pricing

The company's product prices have been generally stable between 1966 and 1970 except that paper prices have been adjusted over the period to reflect changing purchase prices.

On March 1, 1970, the company implemented a five-per-cent increase on paper, inks and stencils and an average two-per-cent increase in machine prices brought about by a corporate decision to air express machines from Britain in order to meet competitive pressures. These price increases approximate four-per-cent over average 1969 prices.

Cost Factors

Two major cost factors affect the company's pricing policies--selling expenses and the cost of goods sold. Except for paper, the Canadian company must purchase its machines and supplies from its

British parent. Gestetner is a selling organization and does not manufacture in Canada. Its profits are largely related therefore to its control of selling expenses in relation to sales revenue.

The Commission obtained and examined actual cost and revenue figures in detail for 1969 and for the first five months of 1970. In addition, projected cost and revenue data were obtained for the remainder of 1970. This information was reviewed carefully and indicated that costs of materials, machinery and selling have increased substantially in 1970.

A comparison of cost and revenue increases for the company in 1970 indicates that cost increments will exceed revenue increments by a significant amount, thus profits will be less in 1970 than in 1969.

Conclusions

The revenues generated by the price increases implemented by Gestetner (Canada)Ltd. are clearly less than cost increases in 1970. Thus the price increases are within the price restraint criteria.
